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ANNUAL REPORT
OF
THE ONTARIO ENERGY BOARD
YEAR ENDING DECEMBER 31, 1963.



ONTARIO

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ONTARIO ENERGY BOARD

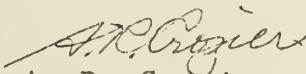
790 BAY STREET
TORONTO 2

February 14, 1964.

Sir:

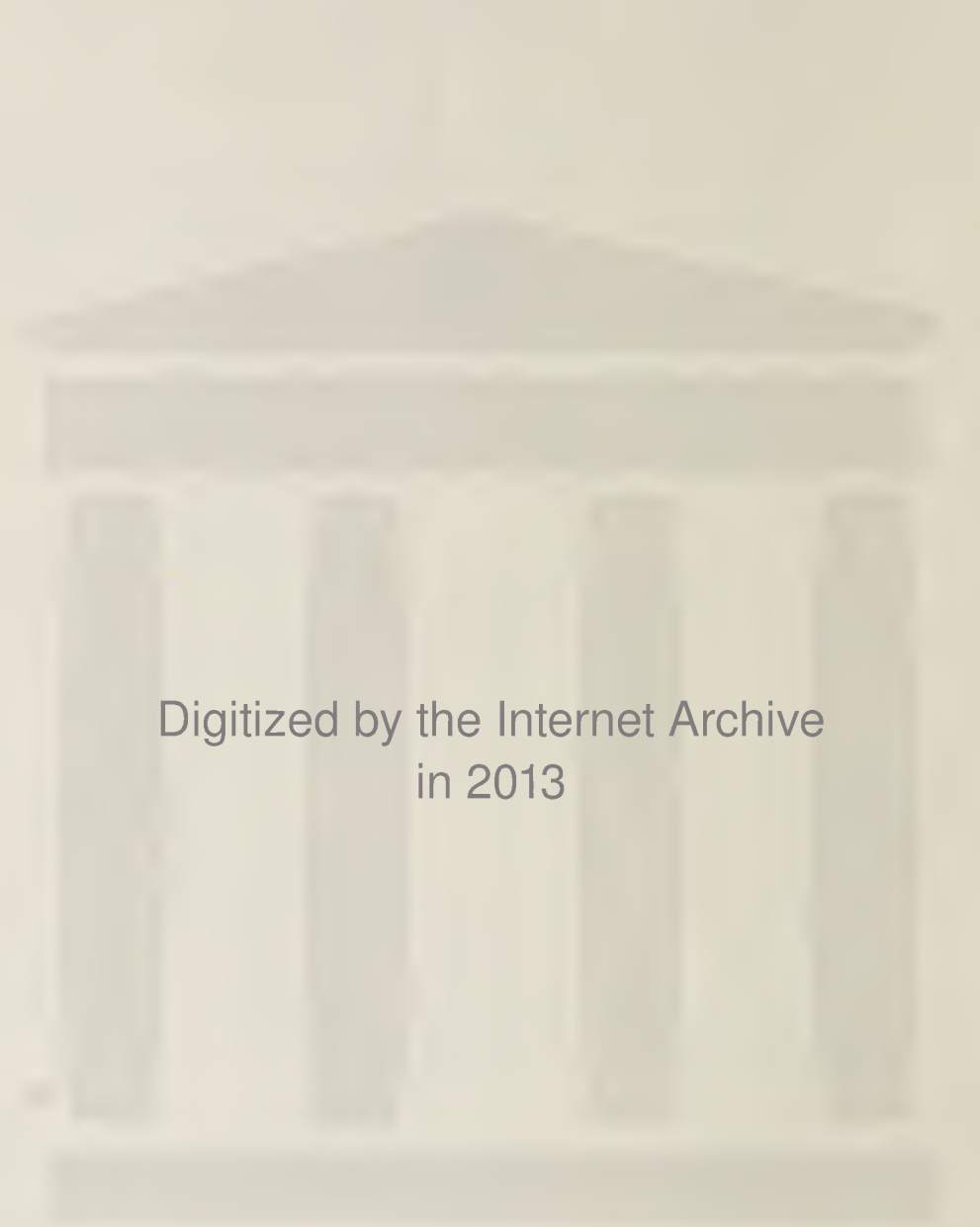
I beg to submit the Annual Report for
1963 of The Ontario Energy Board, and I have
the honour to be, Sir,

Your obedient servant,


A. R. Crozier,
Chairman.

The Honourable J. R. Simonett,
Minister of Energy Resources,
Parliament Buildings,
Toronto, Ontario.

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ANNUAL REPORT

OF

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YEAR ENDING DECEMBER 31, 1963.

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ANNUAL REPORT

YEAR ENDING DECEMBER 31, 1963.

The report of the Board for the calendar year, 1963 is submitted herewith in accordance with section 39 (1) of Part II of The Ontario Energy Board Act.

Membership of the Board remains unchanged with a Chairman, one full-time Member and three part-time Members. Owing to the sudden death in July of J. J. Wingfelder, Member and Secretary, the Board has been operating with a Chairman and the part-time Members.

During the year the Board heard 70 applications, 10 of which were held outside Toronto; held 35 Board meetings; and during the remainder of the year devoted its attention to the writing of reasons for decision and the study and investigation of gas storage matters.

One of the main functions of the Energy Board is to fix and approve, by public hearing, the rates and charges for the sale of gas by transmission, distribution and gas storage companies in the Province. Other important functions are the granting of leave to construct transmission pipe lines, authority to expropriate pipe line rights-of-way, permission to store gas in designated areas

and granting approvals of bylaw franchise agreements and certificates of public convenience and necessity. In addition, the Board examines and reports on any matters relating to energy which may be referred to it by the Lieutenant-Governor in Council or the Minister of Energy Resources.

The following is a breakdown of the hearings which have been heard during the year:

The Municipal Franchises Act

Approval of terms and conditions of bylaw franchise agreements (section 9)	14
Certificates of Public Convenience and Necessity (section 8)	5

The Ontario Energy Board Act

Rates (section 17)	15
Authorization to inject, remove and store gas in designated gas storage areas (section 19)	1
Arbitration of compensation to landowners (section 19 (3))	1

The Energy Act

Leave to Construct pipe lines (section 11)	16
Expropriations for pipe line rights-of-way	12
Designation of gas storage areas (referred by Lieutenant-Governor in Council)	1
Unitization or Joining of Interests - West Becher Pool (referred by Lieutenant-Governor in Council)	1
Secondary Recovery of Oil (referred by Minister	1
Deepening of existing wells in designated gas storage area (referred by Minister)	1
Permission to drill wells in designated gas storage area (referred by Minister)	2

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In addition to the above hearings, several days of sitting were required to complete the United Gas rate case which began late in 1962 and the joint Northern Ontario Natural Gas - Twin City Gas rate hearing, which had been under adjournment from 1962.

Further, the arbitration hearing for the Dawn #156 Pool, which consisted of two applications heard simultaneously, required ten days of sitting and covered some 1200 pages of transcript.

Throughout the year 87 applications were filed as compared with 96 in the previous year. Of these 70 were heard, 13 were withdrawn and 4 will be heard in 1964.

Each year the Board obtains from the transmission companies in the Province information pertaining to the footage and diameter of all transmission pipe lines owned and operated by them in any municipality. This data, which is used for assessment purposes is then forwarded to the respective assessors of approximately eight hundred municipalities.

RECEIPTS

| | |
|--------------------------------------|--------------------|
| Filing fees, hearing costs | \$10,441.25 |
| Sale of certified documents, printed | |
| Reasons for Decision, etc. | <u>608.80</u> |
| | <u>\$11,050.05</u> |

Conference of Canadian Utility Commissioners

On September 10th and 11th, representatives of nine Provinces met in Toronto to discuss utility regulatory matters of common interest. This conference was the first of its kind ever held in Ontario, and was presided over by Mr. A. R. Crozier, Chairman, of the Ontario Energy Board.

Technical papers were presented by delegates from the public utilities boards of other Provinces on regulatory practices and procedures, determination of the fair rate of return, depreciation of utility property and uniform accounting regulation. Full discussion took place of these and other related problems.

It was unanimously agreed by all Provinces that the exchange of ideas and viewpoints of this Conference will produce results which will justify the holding of future informal meetings. It is not proposed, at this time, however, to organize a Canadian counterpart of the National Association of Railroad and Utilities Commissioners, although some occasional contact with that American body may be helpful to the Provinces.

Secondary Recovery of Oil

Experience indicates that considerable quantities of oil which would not normally be recovered can be recovered

economically from depleted or partially depleted oil fields by the injection of water into the oil formations.

Early in the year the Board heard an application by Imperial Oil Limited, which had been referred by the Minister, for a permit to carry out secondary oil recovery operations in the West Becher Pool which comprises some 2700 acres and is located in the Townships of Chatham Gore and Sombra.

At the same time Imperial Oil Limited made application to the Lieutenant-Governor in Council for a regulation requiring the joining of interests in the Pool (unitization) and this matter was referred to the Board.

Following a public hearing of these applications in Chatham and the Board's report and recommendation to the Minister a permit, for secondary recovery operations was granted and also a regulation was passed by the Lieutenant-Governor in Council providing for the unitization of the Pool.

Arbitration Hearing

In certain matters, specifically those pertaining to compensation of landowners in gas storage areas (section 19 of The Ontario Energy Board Act) the Board acts as a Board of Arbitration.

In this capacity the first hearing was that

of the determination of compensation of certain landowners in the Dawn Storage Pool #156 in Lambton County and was to be heard in two phases:

- (a) the determination of the volume of gas in the Pool at the time of commencement of storage, the determination of acreage of certain landowners in the participating area and the method and manner of payment to such landowners for their royalties, based upon the percentage his acreage bears to the total acreage at the sum of 2 cents per Mcf;
- (b) the determination of the amount of storage rental per acre per annum to be paid to landowners.

The first part of this arbitration outlined in (a) above, was heard in Sarnia commencing in February and after 10 days' sitting was concluded late in September. The Board decision will be brought down in January. The application for the second phase, that of storage rental as in (b) above will be heard early in 1964.

United Gas Rate Hearing

The hearing of the United Gas rate application reconvened in January, following a preliminary hearing

the previous year. This application was not for a rate increase or decrease but rather for approval of existing rates and for the determination of a rate base.

Following evidence--in--chief and cross--examination and argument the Board in its Decision, dated July 4, 1963, determined the rate base as at March 31, 1962 and that the rates requested were just and reasonable and would not earn an unreasonable rate of return. This Decision, which runs to 24 pages, is in printed form and sets out in detail how the Board arrived at its Decision and its treatment of such items as allowable operating expenses, depreciation, amortization, working capital, donations, income taxes, etc.

Northern Ontario - Twin City Rate Hearing

This joint rate application, the second of the major rate cases to be completed this year, covers some 500 pages of transcript. Forty-two exhibits were filed and 9 sworn witnesses gave expert testimony. This was one of the most complex rate cases the Board has encountered because of the fact that recently built gas distribution systems, which have only been operating a few years, present an entirely new set of regulatory problems. It is anticipated that the Board's written Decision will be issued early in 1964.

Designation of Gas Storage Areas

An application by Union Gas Company for a regulation to designate an area as a gas storage area was referred to the Board by the Lieutenant-Governor in Council.

The area in question covers approximately 10,300 acres, is located in Zone Township and is known as the Zone Storage Pool.

Following a public hearing in the City of Chatham, the Board in its report to the Lieutenant-Governor in Council recommended that a regulation be passed designating the area as a gas storage area.

A regulation was duly passed thus adding a working storage potential of approximately 4.5 billion cubic feet (bcf) and increasing to six the total number of storage areas developed and operated by the Applicant Company.

"Leave to Construct" Hearings

During the year there was considerable activity in pipe line construction. The Board granted leaves to construct for approximately 151 miles of transmission pipe lines, 13 miles of which was replacement of old lines while 138 miles was new lines into areas not previously served. In this regard the major project was the construction of an 8" and 10" line from

Elmira to Durham to supply gas to the newly franchised areas north of Elmira. Branch supply lines were built off this main line to the neighbouring towns of Listowel, Palmerston, Drayton, Arthur, Durham and Walkerton and gas supply was available by the beginning of the winter heating season. Distribution systems were constructed in the municipalities at the same time as the construction of the main and branch lines. In the coming year the main transmission line will be extended to Owen Sound.

Leave to construct a 30" high pressure transmission line was granted across the northern part of Metropolitan Toronto from the Village of Derry West thence eastward to Scarborough Township in order to facilitate and improve gas services to the rapidly expanding residential and industrial market.

Expropriation Hearings

In connection with the building of new transmission lines the Board held expropriation hearings for 12 parcels of land along the route of the Elmira-Owen Sound line, where negotiations for easement agreements between the Applicant and certain landowners failed to reach a satisfactory conclusion. It should be pointed out, however, that in pipe line expropriations the Board does not settle any matters pertaining to compensation.

Such matters may be referred to a Board of Arbitration which was appointed by the Minister under The Energy Act.

Authorization Hearings

In September, a new company known as Tecumseh Gas Storage Limited was incorporated. It is owned and controlled jointly by Consumers' Gas Company and Imperial Oil Limited and its activities will be restricted to the operation of storage pools. In 1961 Imperial Oil was successful in having 5 pools in Lambton County designated as gas storage areas following a public hearing and the passing of a regulation. Consumers' Gas Company, the largest gas distributor in the Province has a definite need for storage facilities. Hence the formation of the new company.

Under The Ontario Energy Board Act, authorization must be obtained prior to the injection, storage and removal of gas in a designated storage area and accordingly Tecumseh Gas Storage Limited applied to the Board for such permission in three of the five designated pools, namely, Kimball-Colinville, Seckerton and Corunna. A public hearing was held at Sarnia and the necessary authorization Order issued in December. The authorization to store gas in these pools will add 40 bcf of storage capacity of which 30 has been set aside for Consumers' Gas and the

remaining 10 bcf will be available for use by other distributors. Evidence was submitted indicating that storage would be required early in the summer of 1964.

Drilling in Designated Areas

On reference by the Minister of Energy Resources, the Board heard several applications for permission to deepen existing oil wells and to drill additional wells in the Seckerton and Corunna Storage Pools. Following a public hearing, the Board recommended that the permits should issue.

General

In addition to the foregoing, the Board continued to hold public hearings to deal with applications of a more routine nature such as approving terms and conditions of bylaw franchise agreements for newly franchised areas, the granting of certificates of public convenience and necessity for the establishment of distribution systems and the approval of gas rates on an interim basis.

Besides the above-mentioned routine hearings, the Board held meetings on matters of policy and procedure, prepared reasons for decision and interviewed representatives of the gas and oil industry.

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